

**REPORT OF THE AUDIT OF THE  
METCALFE COUNTY  
CLERK**

**For The Year Ended  
December 31, 2001**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Donald M. Butler, Metcalfe County Judge/Executive  
Honorable Carol England, Metcalfe County Clerk  
Members of the Metcalfe County Fiscal Court

The enclosed report prepared by Carpenter, Mountjoy & Bressler, PSC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Metcalfe County, Kentucky, for the year ended December 31, 2001.

We engaged Carpenter, Mountjoy & Bressler, PSC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, PSC, evaluated the Metcalfe County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure





**REPORT OF CARPENTER, MOUNTJOY & BRESSLER, P.S.C.  
AUDIT EXAMINATION OF THE  
METCALFE COUNTY CLERK**

**Calendar Year 2001**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE METCALFE COUNTY CLERK**

**Calendar Year 2001**

Carpenter, Mountjoy & Bressler, PSC, has completed the Metcalfe County Clerk's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

Excess fees increased by \$2,702 from the prior calendar year, resulting in excess fees of \$22,931 as of December 31, 2001. Revenues increased by \$23,641 from the prior year and disbursements increased by \$20,939.

#### **Deposits:**

The Clerk's deposits were insured and collateralized by bank securities or bonds.

#### **Misappropriation Of Funds:**

The staff of Auditor of Public Accounts found \$17,413 misappropriated from the County Clerk's office from January 1, 2000 through June 30, 2001. This was found as a result of an investigation of the Chattel Mortgages/Financing Statements recordings. The County Clerk referred this matter to the Commonwealth Attorney and subsequently a former deputy of the County Clerk's office entered a guilty plea, November 26, 2001, to two counts of theft by unlawful taking over \$300. The former deputy reimbursed these misappropriated funds to the Commonwealth Attorney's office. The Commonwealth Attorney's office then remitted these funds back to the County Clerk's office.





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# *Carpenter, Mountjoy & Bressler*

*Certified Public Accountants and Consultants*

To the People of Kentucky

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## Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Metcalfe County Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

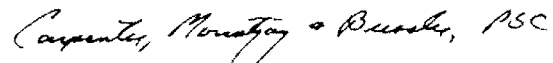
As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
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In accordance with Government Auditing Standards, we have also issued our report dated July 23, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carpenter, Mountjoy & Bressler, PSC".

Carpenter, Mountjoy & Bressler, PSC  
Frankfort, Kentucky

Audit fieldwork completed -  
July 23, 2002

METCALFE COUNTY  
CAROL ENGLAND, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

Receipts

State Fees For Services	\$	5,204
Fiscal Court		9,049
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$	230,343
Usage Tax		451,210
Tangible Personal Property Tax		451,556
Licenses-		
Fish and Game		17,690
Marriage		3,174
Occupational		306
Deed Transfer Tax		12,022
Delinquent Tax		25,765
		1,192,066
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	\$	9,549
Real Estate Mortgages		13,157
Chattel Mortgages and Financing Statements		37,448
All Other Recordings		11,383
Charges for Other Services-		
Copywork		12,084
Title Applications and Mail In Fees		10,296
		93,917
Interest Earned		2,723
Total Receipts	\$	1,302,959

METCALFE COUNTY  
 CAROL ENGLAND, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 2001  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 174,813	
Usage Tax	437,619	
Tangible Personal Property Tax	172,952	

Licenses and Taxes-

Fish and Game	17,239	
Marriage Licenses	1,226	
Delinquent Tax	7,266	
Legal Process Tax	9,154	\$ 820,269

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 27,663	
Delinquent Tax	1,967	
Deed Transfer Tax	11,420	
Occupational Licenses	241	
Miscellaneous	9,382	50,673

Payments to Other Districts:

Tangible Personal Property Tax	\$ 232,863	
Delinquent Tax	13,231	246,094

Payments to Sheriff

454

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$ 67,779	
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Employee Benefits-

Employer's Share Social Security	9,049	
Other Payroll Disbursements	267	

Contracted Services-

Printing and Binding	716	
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Materials and Supplies-

Office Supplies	1,914	
Office Equipment Repair	380	
Equipment Leases	16,004	

METCALFE COUNTY  
 CAROL ENGLAND, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 2001  
 (Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Other Charges-			
Conventions and Travel	2,410		
Dues	350		
Postage	<u>2,413</u>	<u>\$</u>	<u>101,282</u>
Total Disbursements		<u>\$</u>	<u>1,218,772</u>
Net Receipts		\$	84,187
Less: Statutory Maximum		\$	55,467
County Clerk's Training Incentive		<u>2,189</u>	<u>57,656</u>
Excess Fees		\$	26,531
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for Calendar Year 2001		\$	22,931
Payment to County Treasurer - February 27, 2002			<u>22,931</u>
Balance Due at Completion of Audit		<u>\$</u>	<u>0</u>

The accompanying notes are an integral part of the financial statement.

METCALFE COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.



METCALFE COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2001  
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$11,788. No funds were expended during calendar year 2001. The unexpended grant balance is \$11,788 as of December 31, 2001.

Note 5. Lease Agreements

A. Copier

The office of the County Clerk entered into a lease agreement on December 12, 2000 with Melton First United Leasing for a copier. The agreement requires a monthly payment of \$181 for 36 months to be completed on December 20, 2003. The 4,169 as of December 31, 2001.

Calendar Year Ending	Minimum Lease Payments
December 31, 2002	\$ 2,175
December 31, 2003	1,994
Total	<u>\$ 4,169</u>

METCALFE COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2001  
(Continued)

Note 5. Lease Agreements (Continued)

B. Computer Hardware

The office of the County Clerk entered into a lease agreement on December 6, 2000 with Software Management, Inc. for a main computer station and two (2) terminals. The agreement requires a monthly payment of \$724 for 60 months to be completed on December 6, 2005. The balance of the agreement is \$34,028 as of December 31, 2001.

Calendar Year Ending	Minimum Lease Payments
December 31, 2002	\$ 8,688
December 31, 2003	8,688
December 31, 2004	8,688
December 31, 2005	7,964
Total	<u>\$ 34,028</u>

C. Computer Software

The office of the County Clerk entered into a lease agreement on December 6, 2000 with Software Management, Inc. for software (CCLIX Full Service-3 terminal access and delinquent tax). The agreement requires a monthly payment of \$400 for 60 months and a \$25 annual service fee. The lease will be completed on December 6, 2005. The balance of the agreement is \$18,800 as of December 31, 2001.

Calendar Year Ending	Minimum Lease Payments
December 31, 2002	\$ 4,800
December 31, 2003	4,800
December 31, 2004	4,800
December 31, 2005	4,400
Total	<u>\$ 18,800</u>

Note 6. Misappropriation Of Funds

The staff of the Auditor of Public Accounts found \$17,413 misappropriated from the County Clerk's office from January 1, 2000 through June 30, 2001. This was found as a result of an investigation of the Chattel Mortgages/Financing Statements recordings. The County Clerk referred this matter to the Commonwealth Attorney and subsequently a former deputy of the County Clerk's office entered a guilty plea, November 26, 2001, to two counts of theft by unlawful taking over \$300. The former deputy reimbursed these misappropriated funds to the Commonwealth Attorney's office. The Commonwealth Attorney's office then remitted these funds back to the County Clerk's office.

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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## Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Metcalfe County Clerk for the year ended December 31, 2001, and have issued our report thereon dated July 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Metcalfe County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Metcalfe County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

*Carpenter, Mountjoy & Bressler, PSC*

Carpenter, Mountjoy & Bressler, PSC.  
Frankfort, Kentucky

Audit fieldwork completed -  
July 23, 2002

